



# City of Hampton, VA

## Meeting Minutes

### City Council

22 Lincoln Street  
Hampton, VA 23669  
[www.hampton.gov](http://www.hampton.gov)

*Ross A. Kearney, II*                      *Christopher G. Stuart*  
*Will Moffett*                              *Donnie R. Tuck*  
*Joseph H. Spencer, II*                  *George E. Wallace*  
*Molly Joseph Ward, Mayor*

*Staff:*  
*Mary Bunting, City Manager*  
*Cynthia Hudson, City Attorney*  
*Katherine K. Glass, CMC, Clerk of Council*

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Wednesday, March 28, 2012                      1:03 PM                      Council Chambers, 8th Floor, City Hall

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#### **CALL TO ORDER/ROLL CALL**

#### **MOLLY JOSEPH WARD PRESIDED**

**PRESENT:** Will Moffett, Joseph H. Spencer, II, Christopher G. Stuart, Donnie R. Tuck, George E. Wallace

**ABSENT:** Ross A. Kearney, II

Mayor Ward welcomed everyone to the afternoon meeting. She reminded everyone to continue to keep Councilman Kearney in their thoughts and prayers as he recovers from surgery.

#### **AGENDA**

1. 12-0109 Fiscal Year 2013 Budget - Polling Results and Update to changes to Virginia Retirement System

Ms. Bunting introduced Marketing and Research Manager Ms. Amber Callahan to review the high-level results from the citizen polling and noted that the questions and answers will be posted on-line. She further noted in addition to on-line polling, a scientific survey was also done this year.

Ms. Callahan greeted the Mayor, Vice Mayor, members of Council, City Manager and City Attorney. She reported on the budget survey input, reviewed background information, reviewed on-line and in-person polling results and reviewed the scientific phone survey results.

A copy of the presentation is attached to the minutes.

Ms. Callahan listed the ways citizens and stakeholders provided input as:  
(1.) organizational chats where comments were gathered, posted on-line and given to the City Manager, staff and Council for review. (2.) in-person and on-line polling done in conjunction with (3.) the scientific phone survey which was a new component.

Ms. Callahan said the in-person and on-line results were grouped together because the questions were identical; however, the phone survey, which was shorter, will be reported on separately. She noted there were approximately 1,250 on-line responses; however, the data from approximately 1,066 participants who identified themselves as living, working or investing in Hampton was used for this report. She further noted that Council has been provided with a detailed report which lists results for every item; however, for today's presentation, categories have been grouped together to give Council a high-level summary and overview. The presentation in its entirety is available on-line for the public's review.

In response to Councilman Spencer, Ms. Callahan clarified the scientific survey results showed that 77.1% were willing to pay at least a \$0.01 higher tax rate as indicated on slide 24 of the presentation.

Councilman Moffett asked Ms. Callahan or the City Manager to elaborate on what was meant by the survey being statistically valid. Ms. Callahan stated there are some things that were random data sets that were selected and it compares the numbers to our demographics. She continued stating there is a 5.5% margin of error; however, it aligns with our City demographics which makes it statistically valid. Ms. Bunting added this means there is a 94.5% confidence level and these are the same statistics we use for our bi-annual citizen satisfaction survey. Ms. Callahan concurred.

Ms. Bunting stated last year some of us expected the on-line data might be more favorable than a random statistical survey because people who come out to events are perhaps more supportive of government services. She emphasized, however, that the people who did the scientific random survey were more supportive on the revenue questions than those who did the on-line survey or came to the polling events.

Councilman Stuart suggested we determine if it will be necessary to scientifically test each year since the 94% tells us the polling scenarios are effective and allow citizens to have their voices heard.

Ms. Bunting said that is something Council will have to decide. She noted her preference was to ask more questions in the scientific survey; however, it was left up to the polling firm to determine what was asked and the time length of the survey. The net result was they asked about the revenue options at 1, 2, 4 and 6 cent increments as opposed to the way we asked the questions in the on-line polling. She noted next year, it may be a good idea to ask expenditure questions and rotate with revenue questions every other year. She concurred that what we get from the on-line and in-person events is not dramatically different, so if we decided we did not want that extra expense, then we could rely on what we are doing.

Ms. Bunting concluded the portion regarding the FY13 Budget and introduced the next topic regarding the changes the General Assembly has adopted regarding the Virginia Retirement System (VRS). She explained some of the changes have an immediate impact on our upcoming budget unless the Governor sends amendments to change what the General Assembly passed. There are also larger changes that will affect us in future years which are designed to change the retirement system for new hires. She said it is very important that Council and the community receive an overview in the event

they are asked if they support this and what this means. She introduced Finance Director Mr. Karl Daughtrey to make the presentation.

Mr. Daughtrey greeted the Mayor, members of Council, City Manager and City Attorney and briefed Council on the changes made by the General Assembly to the VRS.

A copy of the presentation is attached to the minutes.

Councilman Spencer asked if the employee contributions could have been facilitated as a benefit opposed to taxable income. Mr. Daughtrey explained previously, cities have been allowed to pick up the contributions; however, the General Assembly indicated they were under pressure to change the retirement plan to have employees pick it up because they felt the private sector is pushing more for their requirements on the contributions. He reiterated that the General Assembly is feeling the pressure to have City and local government employees pay some share of retirement benefits. In the 1980's, in lieu of getting a pay raise, the General Assembly, State and local government picked up the 5% member contribution; however, due to what is taking place in the market place, State retirement plans and local retirement plans are changing to reflect what is going on in the private sector and they believe this is the best long-term approach.

Councilman Spencer clarified his question was if it could be non-taxable dollars and we wouldn't have to pay the .765% and perhaps they wouldn't have to declare it as ordinary income. Mr. Daughtrey stated the General Assembly is not giving us that option.

Ms. Bunting added the only way to accomplish that would be for us to continue to pay the contribution for them. Assuming the Governor does not relieve us of this responsibility, her recommendation is that we go to a 6% offset which is what it will take to ensure employees don't lose take-home pay. She said since employees have not had raises over the last three years, it is critical that any amount we pass on is offset in a way they do not lose take-home pay.

Councilman Spencer said it appears the schools will be phasing that in. Ms. Bunting replied that relates to how the General Assembly adopted the legislation and asked Mr. Daughtrey to elaborate on that topic.

Mr. Daughtrey explained that as a positive legislation, the General Assembly approved changes allowing school systems to phase it in over five years. For example, they can give a 1% pay increase with the employees picking up 1% member contribution. That option is not allowed for localities. As a part of the Governor's amendments, he spoke about allowing that same phase for localities.

Councilman Tuck asked why both of these systems of phasing the retirement in have an impact on local government. Mr. Daughtrey explained there are many local governments and School Boards stating this is happening in the middle of the budget process and has a budgetary impact. Since we did not have time to plan for this in advance they are allowing the School systems and potentially the localities to phase this in over four or five years.

Ms. Bunting said currently, localities do not have that same option and there is some supposition that the Governor may give us the same ability. She clarified that what

Mr. Daughtrey is reporting is the way legislation has been adopted. She also clarified neither we nor the State are saving any money; instead, this is a substitution of dollars which costs us more because of the Federal Insurance Contributions Act (FICA) and it raises the retirement base for the future. She continued stating it is largely driven by the commentary that has been around in the Commonwealth for the last several years about employees not paying anything for their retirement. When employees, with the exception of new hires, are forced to pay for it, it becomes a pay cut for them unless you offset it. She noted the State and City can save money in the hybrid system which Mr. Daughtrey will elaborate on later in his presentation.

Mr. Daughtrey reviewed slide five of the presentation.

Ms. Bunting added when we raise pay, the salary range may have to be adjusted so you don't really get that savings. For example, if starting salaries go up, you will not be offsetting it when you are hired, but the base pay has gone up; therefore, there is no actual savings.

Mr. Daughtrey discussed the new Hybrid Plan created by the General Assembly, which is a combination of Defined Benefit (DB) and Defined Contribution (DC) plans. Defined Benefit refers to a certain benefit that we agree to pay the employee based on the benefit formula; whereas, the Defined Contribution component means we are only responsible for contributing a certain amount to the plan, and do not agree to pay a certain benefit. The State indicated they wanted to go to a traditional Defined Contribution Plan, but realized that for employer retention purposes, it was not the practical thing to do. The Joint Legislative Audit and Review Commission (JLARC) indicated the State's cash compensation plus benefits kept them competitive with the private market and if they tinkered too much with the retirement plan, it may not make them competitive with the market place. The new plan calls for all new hires effective January 1, 2014 and thereafter to go into the Hybrid Plan. They will use a 1% multiplier for the Defined Benefit part of the plan; we currently use 1.7%. For example, if you work 30 years, you would get a 30% benefit; however, in the current plan, if you work 30 years, you would potentially get a 50% benefit. He explained the employee will be required to make a 4% mandatory employee contribution to the Defined Benefit portion and a Defined Contribution of 1% mandatory employee contribution to be matched by the employer. In addition to that the employee may make additional contributions up to 4% which the City will be able to match up to 3.5%. He explained the goal is to lower cost long-term. Existing employees will have the option to remain in the current plan or enter the Hybrid Plan. He noted the Hybrid Plan does not apply to hazardous duty such as public safety, fire, sheriff, deputies and police; instead, they stay in the traditional plan and do not have the option of the Hybrid Plan.

Mr. Daughtrey concluded his presentation and stated the General Assembly as part of its conference process can make changes; the Governor can also make amendments to these specific changes.

At Councilman Tuck's request, Mr. Daughtrey elaborated on the Cost of Living Adjustment (COLA) on slide 8. He explained when you receive retirement, the inflation that has occurred in the market place gets reviewed annually, and retirees are entitled to a COLA based on those findings. He continued explaining that in the current system, if the inflationary adjustment comes at 6%, that is the maximum amount that can be

received; however, under the current change, the maximum COLA they will be able to receive on retirement pay is 3%.

Ms. Bunting stated unless the Governor delays enactment or allows us to implement over time, we will have to put more money into the system to make employees whole. This is on top of what we were already going to have to do because of lower investment earnings in VRS and HERS. She reiterated that this is a State mandate which may achieve a larger public policy goal, but comes with financial burdens on the locality. She noted we will plan for that accordingly in the budget process.

PRESENTED by Amber Callahan, Marketing and Research Manager, and Karl Daughtrey, Director of Finance.

2. 12-0110 Briefing on the Status of Fort Monroe

Ms. Bunting reminded everyone that the Fort Monroe Authority (FMA) has scheduled a Master Land Planning public meeting which will be held Thursday, March 29th. Two sessions will be held from 2-4 p.m. and from 6-8 p.m. in Building 75 on Fort Monroe. People are being asked to pre-register due to limited space and if more people want to attend than those two times permit, they will add additional sessions. She expressed the importance of residents taking time to weigh in on their views for the future of Fort Monroe.

Ms. Bunting announced that the National Park Service, in partnership with the FMA, is offering a guided walking tour of Fort Monroe National Monument entitled Fort Monroe Freedom's Fortress in the Spring of 1862. The tour will be held Saturday, March 31st at 10:30 a.m. and 2:00 p.m., and is free and open to the public. Reservations are not required for this event. She noted this is a great opportunity to meet the new National Park Superintendent and to learn about the assets that Fort Monroe has brought to our community. Vice Mayor Wallace reminded Ms. Bunting to share the launching point of the tour. Ms. Bunting stated individuals may meet the Park Ranger at Outlook Beach parking lot on Fenwick Road outside of the east gate of the Fort. Additional information may be obtained by contacting the National Park Service at 722-FORT.

PRESENTED by Mary Bunting, City Manager.

**THERE WERE NO REGIONAL ISSUES DISCUSSED**

**NEW BUSINESS**

Councilman Moffett requested that the Council and the School Board officials meet in order to have a conversation regarding their budget request leading to a tax increase. He said at the last meeting, they agreed to a buddy system, but need to move forward with the dialogue. One-third of the people in Hampton have children in school, and the School system is important to all of us for academic and economic reasons. He continued saying Council is being asked to consider a tax increase and as he indicated in the Community Priorities meeting with School Board members, the School Board needs to make its case. He extended an invitation to meet with the elected officials, and noted the Superintendent made a good faith effort in responding to his questions; however, he would like to see more leadership. He said as a member of Council, no one had to find him when tough issues came up; so, he believes more dialogue is needed

first versus referring parents and others impacted to come see City Council. He said our constituents deserve to have their questions answered and just as Council has asked questions of the City Manager to justify the City budget, we should be able to ask those same questions of the School Division. He noted his comments are not meant to insult anyone; instead, it is necessary for Council to know that the School Board is willing to stand on the front line and make its case. He extended the invitation to School Board Chairman Mr. Fred Brewer and the entire School Board to meet with Council instead of waiting until the last minute to come before Council making this request.

Councilman Stuart agreed with Councilman Moffett's statement. He said the economic times we are in are pertinent given our limited role with the School system. He said Council received a compelling email from a teacher who is also a lunchtime monitor who explained teachers are compressed with many tasks and wondered if the administrators are tasked at the same level. He emphasized that taxpayers want to see their dollars spent in classrooms, libraries, nursing support and other areas that directly affect students. He reiterated that he supports Councilman Moffett's comments regarding the need for dialogue with the School Board in order to feel that we have put our best foot forward with the funds we send to the School system.

There being no further business, the meeting was adjourned at 1:40 p.m.

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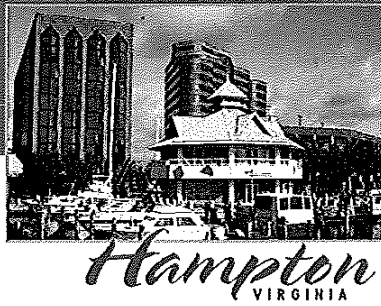
Molly Joseph Ward  
Mayor

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Katherine K. Glass, CMC  
Clerk of Council

Date approved by Council \_\_\_\_\_

# FY 2013 Budget Survey Input



Hampton City Council

March 28, 2012

## Agenda



Background

Online & In-person Polling Results

Scientific Phone Survey Results



## Background

- ✦ In-person polling
- ✦ Online survey
- ✦ Scientific phone survey



## Input by the Numbers

### ✦ FY 2012 Budget

✦ In-person polling	103
✦ Online survey	985
✦ Total	<b>1,088</b>

### ✦ FY 2013 Budget

✦ In-person polling	46
✦ Online survey	1,256
✦ Scientific phone survey	306
✦ Total	<b>1,608</b>





## In-Person & Online Results

- ✦ Hosted four in-person polling sessions
- ✦ Online survey was available for 3.5 weeks
- ✦ Polled on proposed cuts and tax rate increase

## Cuts to services

## Majority can live with:

- ✦ Mulching of school grounds once a year (86%)
- ✦ Stop planting annuals on roadways & medians (71%)
- ✦ Stop printed material and use Web only (78%)
  - ✦ In-person only: 60%
- ✦ More time for building permit reviews (71%)
- ✦ Suspend upgrading software (63%)
- ✦ More time for building permit site inspections (61%)
- ✦ Cut 311 Call Center night & weekend hours (57%)
- ✦ Eliminate Citizens Unity Commission (54%)

## Don't eliminate; reduce

- ✦ Hampton History Museum (77%-reduce hours)
- ✦ American Theatre (68%-reduce performances)
- ✦ Library branches/hours (45% vs. 67%)
- ✦ Community Centers (39% vs. 71%)
- ✦ Sandy Bottom Nature Center (16% vs. 67%)

### **40%-50% can live with:**

- ✦ Reduce Master Plan implementation: 50%
- ✦ Cut Woodlands Tennis Center: 47%
- ✦ Pay vendors later: 44%
- ✦ Cut Youth mini-grants: 43%
- ✦ Cut middle school crossing guards: 43%
- ✦ Cut Virginia Cooperative Extension workshops: 42%
- ✦ Cut maintenance on Fort Wool: 42%
- ✦ Reduce tourism spending: 42%
- ✦ Slower non-emergency police response time: 41%

### **30%-40% can live with:**

- ✦ Reduced budget input outreach: 39%
- ✦ Close Teen Center: 39%
- ✦ Reduce parenting education programs: 38%
- ✦ Reduce animal control enforcement: 38%
- ✦ Reduce non-peak fire staffing: 38%
- ✦ No night animal control: 34%
- ✦ Cut summer at-risk programs: 30%

### **20%-30% can live with:**

- ✦ Reduced codes inspections/blight: 28%
- ✦ Cut youth civic programs: 27%
- ✦ Cut beach lifeguards: 27%
- ✦ Reduce at-risk juvenile services: 25%
- ✦ Reduce youth prevention services: 24%
- ✦ Cut after-school care: 21%

### **Less than 20% can live with:**

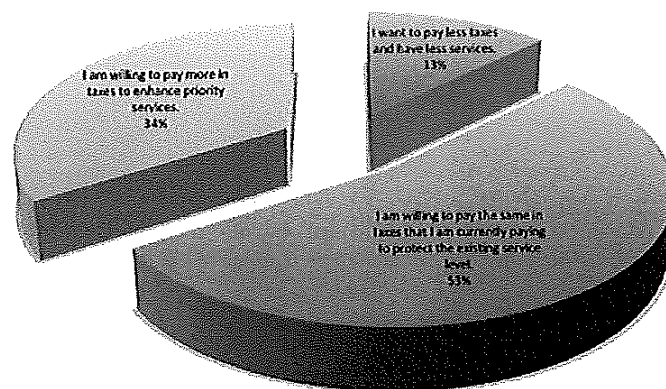
- ✦ No parking lot cleaning: 19%
- ✦ Reduced work on cleaning ditches: 18%
- ✦ Fewer streetlights: 12%
- ✦ Eliminating school crossing guards: 12%
- ✦ Patching fewer potholes: 5%

# Cuts vs. revenues



## Citizen priorities

### Taxes and services



## Revenue options

### Support for property rate

- ✦ Support 1-cent rate increase: 84%
- ✦ Support 2-cent rate increase: 66%
- ✦ Support 3-cent rate increase: 50%
- ✦ Support 4-cent rate increase: 40%
- ✦ Support 5-cent rate increase: 32%
- ✦ Support 6-cent rate increase: 26%
- ✦ Support 7-cent rate increase: 19%

## Other taxes

- ✦ This year's survey focused on property taxes, since the change from last year was the 6% average assessment drop
- ✦ FY12 support for these increases:
  - ✦ Lodging: 82%
  - ✦ Meals: 57%
  - ✦ Personal property (car): 39%



## Scientific Survey

- ✦ Conducted by Continental Research Associates, Inc.
- ✦ Sample size of 306
- ✦ Statistically valid
- ✦ Landline and cell phone numbers used



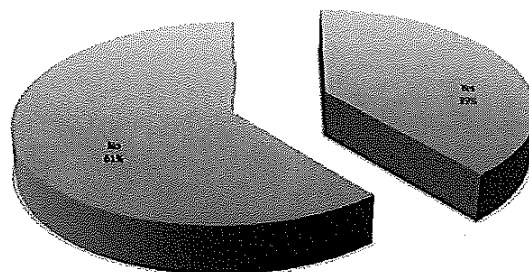
## Scientific Survey

- 4 Survey demographics align with city demographics



## Scientific Survey Results

Willing to pay 6 cents more

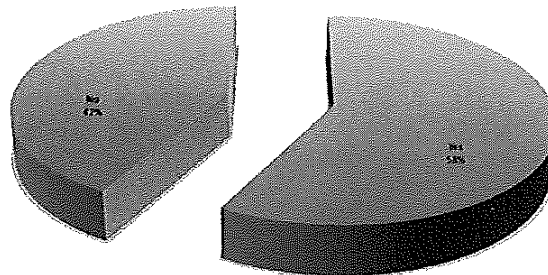






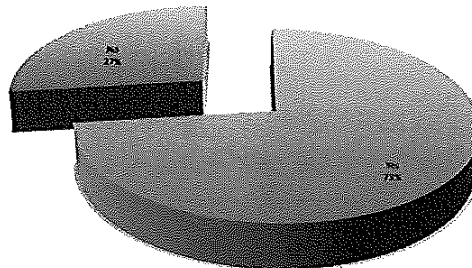
## Scientific Survey Results

Willing to pay at least 4 cents more



## Scientific Survey Results

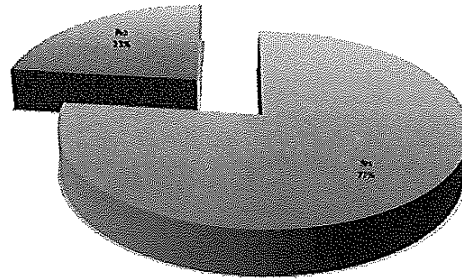
Willing to pay at least 2 cents more





## Scientific Survey Results

Willing to pay at least 1 cent more



## Scientific Survey Results

- 4 38.9% → willing to pay \$0.06 more
- 4 57.8% → willing to pay at least \$0.04 more
- 4 73.2% → willing to pay at least \$0.02 more
- 4 77.1% → willing to pay at least \$0.01 more
- 4 22.9% → not willing to pay a higher tax rate



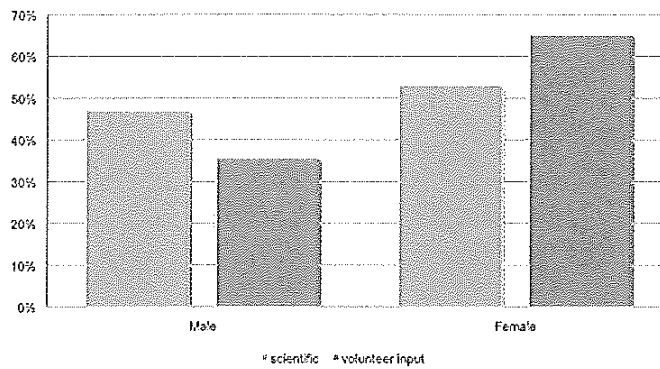
## Comparison

Scientific vs. volunteer input



## Demographics Comparison

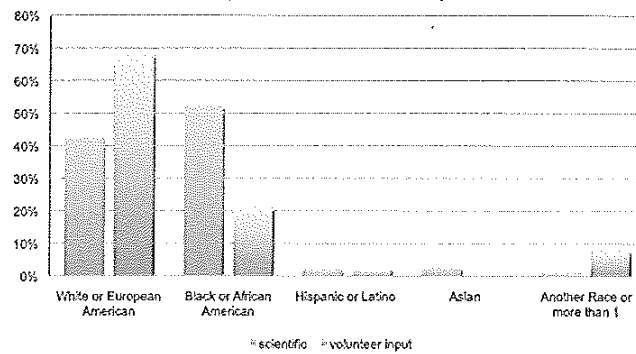
Scientific poll vs. volunteer input: Gender



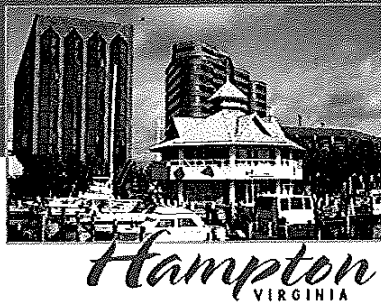


## Demographics Comparison

Scientific poll vs. volunteer input: Race



## VRS Changes Approved by the General Assembly



Karl S. Daughtrey

March 28, 2012

## General Information

In February 2011, the Joint Legislative Audit and Review Commission (JLARC) requested that JLARC staff conduct a review of the state's retirement system.

FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012
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In January 2012, JLARC issued its final report to the Governor and General Assembly.

Based on the report, the General Assembly approved changes to the retirement system on March 10, 2012.

Slide 2

## Employee Contributions Are Now Required (Effective July 1, 2012)

For employees as of June 30, 2012	
Required	Mandated
Teachers, local government & employees of Constitutional Officers to make the 5% member contribution from their salary (only schools can phase in over 5 years)	Employer to pay a 5% salary increase to offset 5% employees contribution (schools can phase in salary increases over 5 years)

Slide 3

## Employee Contributions Are Now Required (Effective July 1, 2012)

For employees employed as of June 30, 2012 (continued):

- ✦ Estimated net costs for City's General Fund to implement the 5% salary increase is approximately \$875,000.
- ✦ Although employees will receive a 5% salary increase, their net take home pay will decrease because of the additional social security taxes they will have to pay.

Slide 4

## Employee Contributions Are Now Required (Effective July 1, 2012)

For new hires or rehires July 1, 2012 or thereafter:

- ✦ Required: teachers, local government and employees of Constitutional officers to make the 5% member contribution from their salary (with no offset from the Employer).

Slide 6

## Creates a New Hybrid Plan

**New hires (excluding Hazardous Duty positions on/after January 2014 will go into the new plan with both Defined Benefit (DB) and Defined Contribution (DC) Components**

Defined Benefit (DB)	Defined Contribution (DC)
❖ 1% multiplier in DB final benefit calculation	❖ 1% mandatory employee contribution, matched by employer
❖ 4% mandatory employee contribution	❖ Voluntary additional employee contribution up to 4%
	❖ Employer matching on voluntary contribution up to 3.5% match

Slide 6

## Creates a New Hybrid Plan

### ✦ Vesting for Employer DC contributions:

- ❖ 50% after 2 years
- ❖ 75% after 3 years
- ❖ 100% after 4 years

### ✦ Why a Hybrid Plan?

- ❖ Reduces costs to VRS employers (\$24M in FY2015 and \$200M in FY2034)
- ❖ External pressure to replace the traditional pension plan with a DC plan

Slide 7

## Reforms to the Defined Benefit Plan:

### ✦ All non-vested employees in Plan 1 (hired prior to July 1, 2010) and Plan 2 employees (hired on or after July 1, 2010):

- ❖ Shift from 3-year to 5-year average final compensation for benefit compensation
- ❖ Reduced benefit multiplier 1.65% instead of 1.7% (excludes hazardous duty position employees)
- ❖ Caps COLA adjustment at 3% for retirement pay (currently 6% for Plan 1 members)

Slide 8



## Reforms to the Defined Benefit Plan:

Questions?